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FINANCIAL INSTITUTIONS COMMISSION

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BRITISH COLUMBIA

Ministry of Finance and Corporate Relations
Province of British Columbia

and the

Credit Union Deposit Insurance Corporation of
British Columbia

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Financial Institutions Commission

Including:

- Superintendent of Financial Institutions
- Superintendent of Real Estate
- Registrar of Mortgage Brokers
- Credit Union Deposit Insurance Corporation of British Columbia

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FINANCIAL INSTITUTIONS COMMISSION

CREDIT UNION DEPOSIT INSURANCE CORPORATION (CUDIC)

Commissioners/Directors

J. Stewart Cunningham	Chair of Commission and CUDIC FICOM Commissioner CUDIC Director
Ron Giammarino	FICOM Commissioner CUDIC Director
Chris Trumpy	FICOM Commissioner CUDIC Director
Edith Skiber	FICOM Commissioner CUDIC Director
Wallace Mah	FICOM Commissioner
Ram Hira	FICOM Commissioner
Sharron Simpson	FICOM Commissioner

Executive Management

Robert J. Hobart	Chief Executive Officer Superintendent of Financial Institutions Superintendent of Real Estate Registrar of Mortgage Brokers
C. Michael Grist	A/Deputy Superintendent of Insurance
Azmina Manji	Deputy Superintendent of Credit Unions Deputy Superintendent of Trust Companies
Adrienne M. Murray	Deputy Superintendent of Real Estate Deputy Registrar of Mortgage Brokers
W. Alan Clark	Executive Director, Investigations
Ross W. Gentleman	Executive Director Administrative Policy, Finance and Administration
Garry E. Wadham	Executive Director, Examinations

FINANCIAL INSTITUTIONS COMMISSION

Annual Report
Fiscal Year 1999/2000

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BRITISH COLUMBIA

FICOM administers the following ten provincial statutes.

- **Community Financial Services Act** - provides a framework for the regulation and operation of the B.C. Community Financial Services Corporation ("Four Corners Community Savings").

- **Condominium Act** - provides a framework of rights and responsibilities for those living in strata developments. (Replaced by the *Strata Property Act* July 1, 2000.)

- **Credit Union Incorporation Act** - provides a corporate governance framework for credit unions consistent with their cooperative characteristics.

- **Financial Institutions Act** - provides a regulatory framework to govern all provincially regulated financial institutions including trust companies, insurance companies and credit unions. It also provides the licensing and regulatory framework for insurance agents, salespersons and adjusters under the supervision of the Insurance Council of British Columbia. Finally, the Act provides for a credit union deposit insurance fund.

- **Insurance Act** - provides certain statutory requirements for contracts of insurance.

- **Insurance (Captive Company) Act** - establishes British Columbia as a domicile for captive insurance companies and provides a registration and regulatory framework for captive insurance companies.

- **Insurance (Marine) Act** - provides certain statutory requirements for contracts of marine insurance.

- **International Financial Business Act** - establishes a licensing and regulatory framework for financial institutions to register in British Columbia to carry on international financial business.

- **Mortgage Brokers Act** - provides a registration and regulatory framework for mortgage brokers who deal with the public.

- **Real Estate Act** - Part 1 of the *Real Estate Act* provides the licensing and regulatory framework for real estate agents, salespersons and property managers under the supervision of the Real Estate Council of British Columbia.

  Part 2 of the Act provides a regulatory framework for the sale of subdivisions, including strata developments, cooperatives, shared interests and time shares.

Copies of the statutes are available at a modest cost from:

Crown Publications
521 Fort Street
Victoria, British Columbia V8W 1E7
Phone: [250] 386-4636 Fax: [250] 386-0221

Copies of the statutes are also available on the Internet at: http://www.qp.gov.bc.ca/bcstats

Superintendent's Report

This fiscal year brought with it the tenth anniversary of the Financial Institutions Commission ("FICOM"), which came into being on the proclamation of the Financial Institutions Act in 1989. That Act introduced several innovations and has provided an excellent model for regulation of the financial services industry. We at FICOM are proud of our achievements over the past decade and this past fiscal year.

The 1990's presented significant challenges to businesses in this province and to those who regulate them in the public interest. Highly competitive markets and significant technological change have introduced significant changes throughout the financial services and real estate industries. Financial institutions and regulated companies have responded to these challenges and have evolved. FICOM has monitored and responded to ensure public protection and disclosure issues have been addressed.

We are proud of our achievements as we continue to see that consumers are well served by the financial services and real estate industries in British Columbia. We recognize that the services provided by these sectors are essential to virtually every British Columbian, encompassing basic chequing/savings, wealth management, insurance, and home purchases. And we are proud that our pragmatic, focussed, and efficient regulatory stance contributes to a vital and competitive market place.

We are especially proud of our efficient operations. FICOM's total expenditures remain at approximately the same level as they were in 1991, and we consistently generate a small surplus to compensate the Ministry of Finance and Corporate Relations for services provided that are not reflected in our direct disbursements. FICOM is an independent entity and operates on a cost recovery basis (or "$1000 vote") within the Ministry of Finance and Corporate Relations.

During this fiscal year we have also moved to work more closely with other provincial regulators for the benefit of both consumers and regulated businesses active in more than one province. We are active in the Canadian Council of Insurance Regulators and the Joint Forum of Financial Market Regulators, which brings together those overseeing the securities, pension, and financial services industries. As restructuring within the financial services industry proceeds, inter-provincial co-ordination becomes a more critical issue. We have also moved to use the Internet more effectively, recognizing the increasing importance of this resource for information dissemination and exchange.

We acknowledge and thank the industry organizations with specific delegated responsibilities under various acts, for their assistance and co-operation during the year; the Insurance Council of BC, the Real Estate Council of BC, and Stabilization Central Credit Union of BC.

I close by thanking all staff at FICOM, and our Commissioners, for their dedicated contributions throughout the year and for their continuing commitment to the tasks at hand.

Robert J. Hobart
Superintendent and CEO

Mandate

The Financial Institutions Commission (FICOM) administers 10 statutes which provide regulatory rules for the protection of the public. These regulatory rules are designed to:

- protect depositors and policyholders against insolvency of a trust company, credit union, or insurance company;
- safeguard consumers against improper market conduct in the financial services and real estate industries; and
- through the Credit Union Deposit Insurance Corporation (CUDIC), insure credit union deposits and non-equity shares up to a maximum of $100,000 per "separate deposit" (as defined by regulation), per credit union.

Governance and Authority

FICOM consists of up to 11 commissioners and a staff complement of 75. FICOM commissioners are appointed by the Lieutenant Governor In Council on the recommendation of the Minister of Finance and Corporate Relations.

Commissioners have two principal roles in the administration of the *Financial Institutions Act*, the *Credit Union Incorporation Act* and the *Community Financial Services Act* :

- provide recommendations to the Minister of Finance and Corporate Relations on major regulatory decisions related to incorporations, business authorizations, mergers, liquidations and wind-ups; and
- make credit union stabilization, supervision and deposit insurance decisions. Stabilization and supervision are regulatory powers used to assist credit unions that are experiencing financial or other difficulties.

Commissioners have no legislative responsibilities with respect to the other statutes administered by FICOM.

Organization

FICOM staff are organized into six departments all reporting to the Superintendent and Chief Executive Officer. The departments are:

- **Credit Unions and Trust Companies** - responsible for the day-to-day regulatory decisions under the *Financial Institutions Act, Credit Union Incorporation Act* and *Community Financial Services Act;*
- **Examinations** - responsible for both on-site and desk examinations of financial institutions;
- **Insurance** - responsible for the day-to-day regulatory decisions under the *Financial Institutions Act, Insurance Act, Insurance (Captive Company) Act, Insurance (Marine) Act* and *International Financial Business Act*;
- **Investigations** - responsible for investigating statutory breaches of all acts administered by FICOM as well undertaking investigations into criminal matters;
- **Real Estate and Mortgage Brokers** - responsible for the day-to-day regulatory decisions under the *Real Estate Act* and *Mortgage Brokers Act* and for providing information and assistance under the *Strata Property Act*; and
- **Administrative Policy, Finance and Administration** – responsible for support to the other departments, including research & development of administrative policy, accounting, human resources, information systems, and co-ordination of *Freedom of Information Act* requests.

Solvency Regulation

Before a credit union, trust company or insurance company can operate in British Columbia, it is required to obtain a business authorization from the Financial Institutions Commission (FICOM). The *Financial Institutions Act* specifies a number of financial and other requirements that must be met before a business authorization can be granted. Thus, the starting point for solvency regulation is to ensure that only financial institutions that meet certain financial and other requirements are permitted to operate in British Columbia.

Once a financial institution is authorized to conduct business, solvency regulation involves continuous monitoring with the objective being to ensure prudent operation and compliance with regulatory rules and guidelines. With respect to financial institutions incorporated in British Columbia, regulatory monitoring consists of:

- a continuous review of each institution's financial statements to ensure compliance with liquidity, capital and other regulatory requirements;
- a review of each institution's investment and lending policy to ensure the policy is prudent, comprehensive and meets statutory requirements; and
- an annual examination of each institution to assess investment and lending policy compliance, statutory compliance, management and corporate governance practices, and asset quality.

If monitoring identifies non-compliance to requirements, FICOM has the authority and responsibility to ensure that the financial institution remedies the situation in a timely manner.

Financial institutions which are incorporated in jurisdictions other than British Columbia are not required to meet certain specific prudential requirements of the *Financial Institutions Act* provided that adequate regulatory safeguards exist in the incorporating jurisdiction.

Consistent with this approach, FICOM limits its monitoring of extraprovincial companies to periodic reviews of financial filings and other information. Where non-compliance is evident, FICOM works with the regulatory authority in the incorporating jurisdiction, as appropriate, to ensure remedial action occurs.

Despite regulatory rules and regulatory monitoring, however, financial institutions do on occasion become insolvent. Regulation reduces the risk of insolvency, but cannot provide a guarantee of total safety.

The *Financial Institutions Act* provides an additional consumer safeguard by requiring all deposit taking trust companies, insurance companies and credit unions authorized to conduct business in British Columbia to be a member of a deposit insurance plan or insurance compensation plan. These plans reimburse consumers for losses that may result from the insolvency of a financial institution. Because each plan has different rules and limits regarding compensation for losses, consumers are advised to obtain further information directly from the appropriate plan.

Consumers, if uncertain about the financial stability of a financial institution, are encouraged to examine its audited financial statements. The *Financial Institutions Act* requires each credit union, trust company and insurance company conducting business in British Columbia to allow a member of the public to examine its financial statements and auditor's report at the company's business office. In addition, for a reasonable fee, the *Financial Institutions Act* requires a financial institution to provide a copy of its audited financial statements to a member of the public on request.

AUTHORIZED COMPANIES

Names and addresses of all financial institutions authorized to conduct business in British Columbia are listed on FICOM'S web site at http://www.fic.gov.bc.ca. Names and addresses can also be obtained by directly contacting FICOM.

Market Conduct Regulation

The legislation which FICOM administers provides a number of regulatory rules which govern conduct in the market place. These regulatory rules are generally in place to ensure that consumers are served by ethical and competent persons. As well, the rules ensure that consumers are provided with sufficient information to make rational decisions.

FICOM's general approach to market conduct regulation is to respond to complaints from the public. All complaints are analysed, investigated, if necessary, and acted upon. In most instances an investigation involves contact with the subject of the complaint to advise of the requirements of the applicable legislation. This often results in voluntary compliance and no need for further action. Other responses to complaints include warnings, orders to cease, disciplinary orders or prosecution for offences under the acts administered by FICOM or under the Criminal Code of Canada. Bulletins to the industry are also issued if information suggests that there is widespread misunderstanding of a specific statutory requirement.

Market conduct regulation, however, does not extend to contractual disputes. FICOM is only empowered to respond to violations of statutes. Because contractual disputes are matters of personal disagreement, it is inappropriate for FICOM, as an agency of government, to take a position on either side. Contractual disputes must be resolved by the persons involved with the assistance of the courts, if necessary.

In addition, even in instances where there have been breaches of a statute, FICOM does not have the authority to order restitution for those who may be impacted by the breach. FICOM's authority is limited to ensuring that statutory violations cease and, if appropriate, imposing regulatory sanctions.

Market conduct rules vary to some extent among the statutes administered by FICOM. Under the *Financial Institutions Act*, regulatory rules are in place to ensure full disclosure to consumers as well as to prohibit unfair
The Superintendent also takes direct regulatory action with respect to unlicensed activity, in cases where licensees fail to maintain a surety bond or where licensees fail to have a nominee in active charge of the agency, and in contracts, tied selling and the inappropriate use of confidential information. These provisions are applicable to all credit unions, trust companies and insurance companies operating in British Columbia. In addition, the *Financial Institutions Act* provides requirements regarding the licensing, competence, and conduct of insurance agents, salespersons and adjusters under the direction of the Insurance Council of British Columbia.

With respect to insurance companies, the requirements of the *Financial Institutions Act* are augmented by the provisions of the *Insurance Act* and *Insurance (Marine) Act*. These statutes set out specific requirements for contracts of insurance as well as the rights and obligations of both insureds and insurers.

The *Mortgage Brokers Act* requires the registration of persons who engage in the business of lending money on mortgage security, buying and selling mortgage interests or arranging mortgages for members of the public. To obtain registration, the *Act* requires that the applicant have a suitable background as well as certain educational qualifications. Once registered, the *Act* provides conduct requirements for public protection including regulatory rules for the handling of trust accounts and rules regarding full disclosure of interest rates and fees to the consumer.

Amendments to the *Mortgage Broker Act* were brought into force in August and September of 2000, primarily to enhance investor disclosure.

Part I of the *Real Estate Act* provides a licensing and regulatory regime for those engaged in the business of buying and selling properties on behalf of others. The emphasis is again on public protection by allowing only qualified and suitable persons to become licensed and by providing rules of conduct for licensees. Although the day to day administration of Part I of the *Real Estate Act* has been delegated to the Real Estate Council of British Columbia, the Superintendent of Real Estate maintains responsibility for the overall administration of the *Act*.

instances of trust account misappropriation or criminal activity.

Part II of the *Real Estate Act* contains provisions related to the marketing to British Columbia residents of subdivision lots, strata lots, co-operative units and time shares located in British Columbia and other jurisdictions. These provisions are intended to protect the public by:

- requiring each developer to issue a prospectus or disclosure statement in order that purchasers are provided all relevant information about the development before making a purchase decision;

- requiring developers to hold each purchaser's deposit in trust until the completion of the transaction; and

- providing a rescission period after the contract has been entered.

Disclosure statements and prospectuses must also be filed with the Superintendent of Real Estate and are reviewed to ensure compliance with the requirements of the *Real Estate Act*. If it is determined at the time of submission or after its acceptance that a disclosure statement or prospectus does not contain all relevant and required information, the developer must cease marketing the development until the document is amended.

If a purchaser believes that a developer did not fulfil the promises as set out in the disclosure statement, or the amended disclosure statement, the purchaser has legal remedies against the developer. Part II of the *Real Estate Act* does not provide the Superintendent with the authority to become involved in the dispute, nor to order compensation to the purchaser.

Nevertheless, Part II of the Act does enhance a purchaser's position in two ways. First, much of the information that a purchaser would normally obtain only verbally is required to be included in a disclosure statement. As a result, the developer's promises are clear and in writing. Second, the *Real Estate Act* deems a purchaser to have relied on the information in the disclosure statement. Thus, unlike other legal actions related to a contract, purchasers are not required to establish that they relied on the developer's promises when the property was purchased.

The only responsibilities of the Superintendent of Real Estate under the *Condominium Act* are to approve voting, unit entitlement and interest upon destruction calculations for strata plans filed in British Columbia. The *Condominium Act* also provides a framework to condominium owners for the operation of their condominium development. This framework is structured on the principle of democracy and provides condominium owners with control of their strata corporation through direction that can be provided to the strata council.

Subsequent to year end, on July 1, 2000, the *Strata Property Act* came into force, replacing the *Condominium Act*. The Superintendent has reduced responsibilities under this act, and will only approve voting and unit entitlements that do not follow a formula prescribed in the *Strata Property Act*.

The Superintendent's office assists condominium owners by providing information on the provisions of the Act and by guiding owners through the sections of the legislation that would apply to their particular concerns. However, as in the case of contractual disputes, it is not appropriate for the Superintendent's office to intercede in a condominium development's operations or resolve personal disputes that may occur. These disputes are intended to be resolved by those affected, with the assistance of arbitration or the courts, if necessary.

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Credit Union Deposit Insurance

The Credit Union Deposit Insurance Corporation of British Columbia (CUDIC) is operated as a separate entity by the Financial Institutions Commission according to the provisions of the *Financial Institutions Act*. The mandate of CUDIC is to guarantee deposits and non-equity shares of depositors of British Columbia credit unions up to the limits prescribed by the Act.

To meet its deposit protection responsibility, CUDIC undertakes administrative and regulatory functions as set out in the *Financial Institutions Act*, makes deposit insurance payments and may provide financial assistance to credit unions. To maintain the deposit insurance fund, CUDIC is empowered to assess credit unions and to issue debentures.

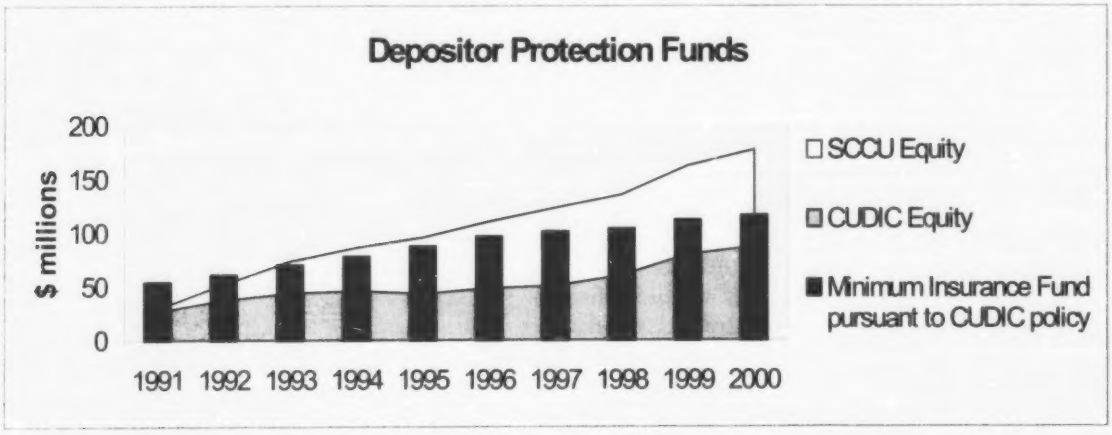
Corporate governance of CUDIC is provided by directors who are appointed by the Lieutenant Governor in Council and who are also FICOM Commissioners. CUDIC has no operating staff and administrative services relating to CUDIC's mandate are performed by FICOM staff. Expenses related to these services are charged back to CUDIC.

In order to ensure that CUDIC has the financial resources necessary to meet its obligations to credit union depositors, a depositor protection fund has been established. Based on historical payouts and ongoing analysis, it has been concluded that a minimum fund of 57.5 basis points of total credit union deposits is sufficient to meet CUDIC's obligation. As at March 31, 2000, accumulated earnings (including provisions) of CUDIC were $87.4 million. As well, Stabilization Central Credit Union of British Columbia (SCCU), an industry self help organization, has provided an irrevocable letter of credit in favour of CUDIC issued by Credit Union Central of British Columbia totalling $54.0 million. Taken together, the financial resources of CUDIC to meet its deposit insurance mandate total $141.4 million or 69.5 basis points of credit union deposits at March 31, 2000. The total of funds available at CUDIC and SCCU to assist credit unions in the event of financial distress was $177.4 million.

CUDIC, together with SCCU and Credit Union Central of BC, has commenced a review of the optimal size of the deposit insurance fund. The review will consider approaches taken in other jurisdictions and relevant research into financial models. The subject was last reviewed in 1996.

The audited financial statements of the corporation are included in this report.

Details regarding deposit insurance coverage can be obtained by contacting FICOM or through FICOM's web site at http://www.fic.gov.bc.ca.



Highlights 1999/2000

Financial Results FICOM and CUDIC

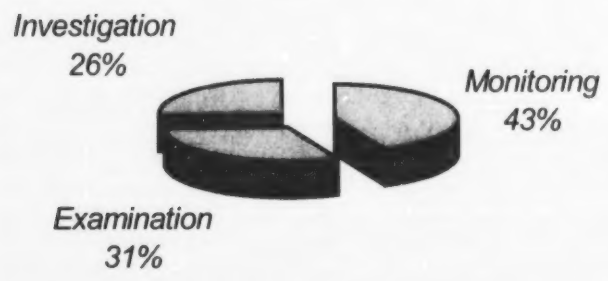
Funding for FICOM is provided in the provincial government main Estimates through a $1000 vote. This funding mechanism requires all FICOM's expenditures to be recovered from fees and license revenues received from industry. In 1999/2000, FICOM's gross voted expenditure was $6.1 million. Actual expenditures were $100,000 under budget. Approximately 80% of the expenditure was for staff and professional services.

Recoveries to gross voted expenditures were $7.4 million in 1999/2000. These recoveries were comprised of recoveries from CUDIC for expenditures incurred by FICOM for credit union deposit insurance, supervision and stabilization matters ($1.5 million), and for recoveries primarily made up of annual licensing and assessment fees ($5.9 million).

FICOM, thus, generated an excess of recoveries over expenditure of $1.3 million during 1999/2000. These funds were transferred to the Consolidated Revenue Fund and offset government overheads which are not fully accounted for in FICOM's expenditure budget.

Net earnings for CUDIC during 1999/2000 were $7.2 million, after the payment of income taxes of $600,000. Revenue totalled $9.7 million including revenue of $4.9 million from a 2.5 basis point assessment on credit unions. Expenses, including a $200,000 increase in provisions for losses were $1.8 million. A return of 5.7% was achieved on CUDIC's investment portfolio. (CUDIC's financial statements are on Page 14.)

F/Y 1999/2000 Expenditures by Function:
$6.1 Million



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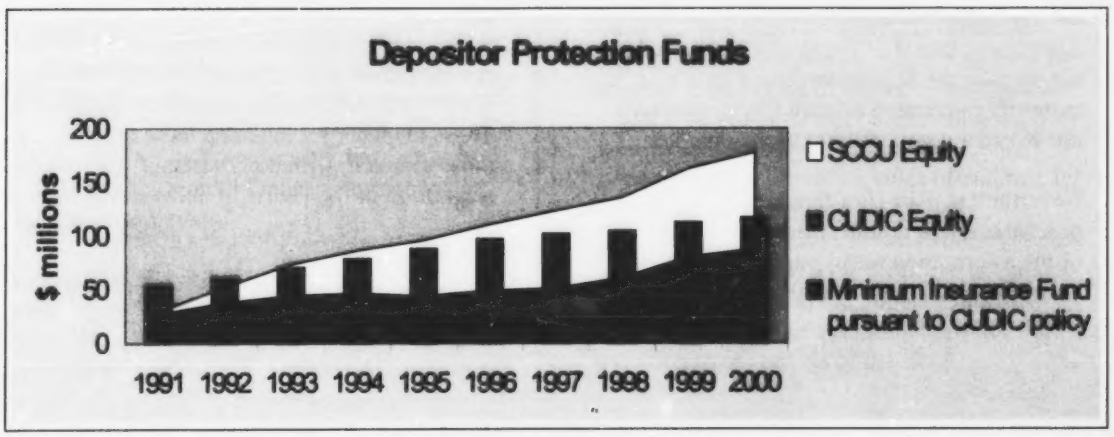

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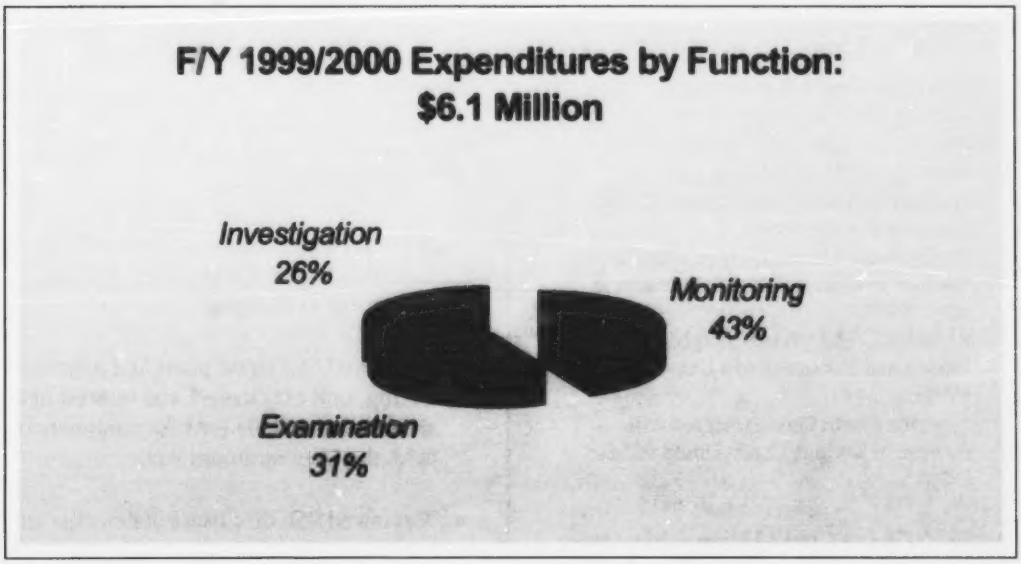

Operating Activities

The following are some of the operational highlights of FICOM for the 1999/2000 fiscal year:

- Conducted ongoing financial monitoring of 76 credit unions, 7 trust companies incorporated in British Columbia, 9 insurance entities incorporated in British Columbia, and the B.C. Community Financial Services Corporation.

- Conducted financial monitoring of 46 extraprovincial trust companies and 260 extraprovincial insurance companies.

- Approved business authorization applications for six trust companies, and seven insurance companies.

- Approved the revocation of nine insurance company business authorizations.

- Consented to the incorporation of one credit union and one insurance company.

- Approved ten credit union merger applications, and ten insurance company amalgamations.

- Released four credit unions from supervision (the four were under supervision at March 31, 1999):
  - Alert Bay and District Credit Union (merged with Evergreen Savings Credit Union in October 1999).
  - Polish Credit Union (merged with Greater Vancouver Community Credit Union in May 1999).
  - Rossland Credit Union (merged with Nelson and District Credit Union in May 1999).
  - Sointula Credit Union (merged with Evergreen Savings Credit Union in June 1999).

- Declared Khalsa Credit Union subject to supervision in August 1999 at its request. Subsequently the Commission appointed an administrator in March 2000. (This appointment has been appealed to the Commercial Appeals Commission.)

- Reviewed 169 investment and lending policy changes for prudence, comprehensiveness and statutory compliance.

- Conducted 91 examinations pursuant to the *Financial Institutions Act* and reported findings to the Superintendent and the board directors of each financial institution examined.

- Entered into a Letter of Undertaking with a non-financial retail operation for provision of full and proper disclosure in marketing financial products of a chartered bank under the retailer's trade name.

- Issued one Information Letter to credit unions regarding Credit Union Deposit Insurance coverage and the Y2K problem.

- Issued three bulletins to credit unions regarding Administration of Inactive Deposits, Credit Union Financial Reporting to Members, and Capital Reporting Requirements.

- Processed various credit union regulatory approvals and filings including 15 rule changes, 11 amendments to common bond and 9 extensions of annual general meetings, 80 capital adequacy returns and 208 personal information returns.

- Issued one bulletin to those involved in the insurance industry providing guidance on viatical settlements.

- Approved registration renewals for 15 captive insurance companies and four reciprocal exchanges.

- Reviewed 763 strata plans and approved voting, unit entitlement and interest upon destruction calculations for compliance with the Condominium Act.

- Reviewed 966 disclosure statements and amendments, 46 prospectuses and amendments for compliance with the *Real Estate Act*.

- Issued 292 mortgage broker and sub-mortgage broker registrations and processed 512 registration renewals.

Operating Activities, continued:

- Successfully completed a special survey, examinations and consultations with financial institutions to ensure preparedness for Year 2000 data processing.
- Concluded 255 investigations pertaining to statutory violations and criminal matters.
- Issued 30 Superintendent Orders and executed 28 search warrants.
- Charged 21 persons and companies with 6 provincial statute offences and 117 Criminal Code offences.
- Responded to 12,000 inquiries, consumer complaints and requests for statutory rulings.
- Senior staff made numerous presentations to boards, industry associations and public interest groups with respect to statutory obligations and requirements.

BRITISH COLUMBIA

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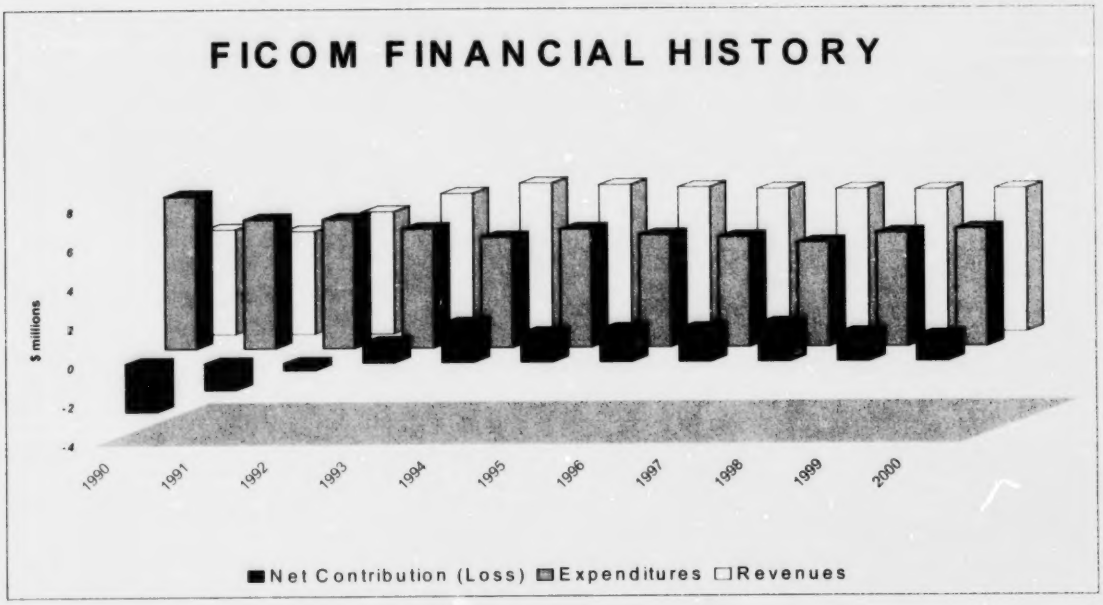
- Responded to 12,000 inquiries, consumer complaints and requests for statutory rulings.
- Senior staff made numerous presentations to boards, industry associations and public interest groups with respect to statutory obligations and requirements.



Contacts For Market Conduct Complaints and Inquiries

- **FINANCIAL INSTITUTIONS COMMISSION**
  19th Floor, 1050 West Pender Street
  Vancouver, British Columbia V6E 3S7 Web: http://www.fic.gov.bc.ca

Condominium Inquiries	**[604]**	**660-1983**
Credit Unions/Deposit Insurance	**[604]**	**660-0109 or 660-0119**
Insurance Complaints/Inquiries	**[604]**	**660-2971 or 775-2491**
Investigations/Criminal Matters	**[604]**	**660-2836 or 660-2949**
Mortgage Brokers Complaints/Inquiries	**[604]**	**660-1198 or 775-1839**
Real Estate Complaints/Inquiries	**[604]**	**660-1198 or 660-4822**
Trust Companies	**[604]**	**660-0129**

Inquiries and complaints regarding a **licensed real estate agent, salesperson or property manager** should be addressed to:

Real Estate Council of British Columbia
Suite 900 - 750 West Pender Street
Vancouver, British Columbia V6C 2T8
Telephone: [604] 683-9664 Web: http://www.realestatecouncil.bc.ca

Inquiries and complaints regarding a **licensed insurance agent, adjuster or salesperson** should be addressed to:

Insurance Council of British Columbia
Suite 300 - 1040 West Georgia Street
Vancouver, British Columbia V6E 4H1
Telephone: [604] 688-0321

FICOM has no responsibility for the regulation of chartered banks.
Inquiries and complaints regarding **chartered banks** should be addressed to:

Office of the Superintendent of Financial Institutions (Canada)
Suite 305 - 1095 West Pender Street
Vancouver, British Columbia V6E 2M6
Telephone: [604] 666-5335 Web: http://www.osbi-bsif.gc.ca

FICOM has no responsibility for the regulation of the securities industry.
Inquiries and complaints regarding the **securities industry** should be addressed to:

British Columbia Securities Commission
Suite 1100 - 865 Hornby Street
Vancouver, British Columbia V6Z 2H4
Telephone: [604] 899-6500
Web: http://www.bcsc.bc.ca

Deposit Insurance and Compensation Plans

Deposit taking trust companies, credit unions and insurance companies authorized to conduct business in British Columbia must be members of a deposit insurance plan or an insurance compensation plan.

These plans reimburse consumers for a portion of their losses which may result from an insolvency of a credit union, trust company or insurance company. Each plan has different coverage limits and different rules which are described in brochures which are available from each on request.

- All deposit taking trust companies with a British Columbia business authorization must be members of:

  Canada Deposit Insurance Corporation
  17th Floor - 50 O'Connor Street
  P.O. Box 2340, Station "D"
  Ottawa, Ontario K1P 5W5
  Phone: 1-800- 461-2342
  Fax: [613] 996-6095 Web: http://www.cdic.ca

- All deposit taking credit unions with a British Columbia business authorization are members of:

  Credit Union Deposit Insurance Corporation of British Columbia
  Suite 1900 - 1050 West Pender Street
  Vancouver, British Columbia V6E 3S7
  Phone:[604] 660-2947
  Fax: [604] 660-3170 Web: http://www.fic.gov.bc.ca/cu/cudic.htm

- All insurance companies with a British Columbia business authorization which permits the sale of property and casualty insurance to the public must be members of:

  Property & Casualty Insurance Compensation Corporation
  Suite 210 - 20 Richmond Street East
  Toronto, Ontario M5C 2R9
  Phone: [416] 364-8677
  Fax: [416] 364-5889 Web: http://paccic.com

- All insurance companies with a British Columbia business authorization which permits the sale of life, accident and sickness insurance to the public must be members of:

  Canadian Life and Health Insurance Compensation Corporation
  Suite 1600 - 1 Queen Street East
  Toronto, Ontario M5C 2X9
  Phone: [416] 359-2001 Web: http://www.compcorp.ca
  Fax: [416] 955-9688

CREDIT UNION DEPOSIT INSURANCE CORPORATION OF BRITISH COLUMBIA

Deloitte & Touche

Deloitte & Touche LLP
Suite 2100
1055 Dunsmuir Street
P.O. Box 49279
Four Bentall Centre
Vancouver, British Columbia
V7X 1P4
Telephone: (604) 669-4466
Facsimile: (604) 685-0395

Auditors' Report

To the Board of Directors
Credit Union Deposit Insurance Corporation of British Columbia

We have audited the balance sheet of Credit Union Deposit Insurance Corporation of British Columbia as at March 31, 2000 and the statements of earnings and accumulated earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Financial Institutions Act of British Columbia, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Deloitte & Touche LLP

Chartered Accountants
Vancouver, British Columbia
May 12, 2000

CREDIT UNION DEPOSIT INSURANCE CORPORATION OF BRITISH COLUMBIA

BALANCE SHEET

ASSETS	2000	1999
Cash	$ 163,953	$ 192,077
Investments		
Securities at amortized cost (note 3, Schedule B)	86,368,874	79,032,994
Accrued interest	1,167,653	1,043,308
	$ 87,700,480	$ 80,268,379
LIABILITIES AND ACCUMULATED EARNINGS		
Accounts payable and accruals	313,593	312,962
Provision for losses (note 2)	6,000,000	5,800,000
Accumulated earnings	81,386,887	74,155,417
	$ 87,700,480	$ 80,268,379

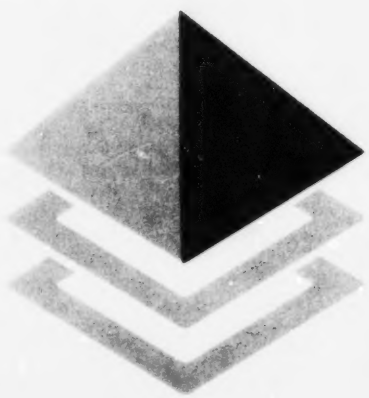
See accompanying notes to financial statements.

Approved by the Board (originals signed by):
J.S.M. Cunningham, Director
R. Giammarino, Director

STATEMENT OF EARNINGS AND ACCUMULATED EARNINGS

	Year Ended March 31, 2000	Year Ended March 31, 1999
REVENUE		
Investments	$ 4,763,390	$ 7,819,734
Assessments	4,884,692	9,065,073
	9,648,082	16,884,807
EXPENSES		
Administration (Schedule A)	1,505,796	1,526,069
Adjustment to provision for losses (note 2)	200,000	300,000
Investment management fees	136,633	124,831
	1,842,429	1,950,900
NET EARNINGS BEFORE INCOME TAX	7,805,653	14,933,907
Income Taxes (note 4)	574,183	1,327,231
NET EARNINGS	7,231,470	13,606,676
Accumulated earnings at beginning of year	74,155,417	60,548,741
ACCUMULATED EARNINGS AT END OF YEAR	$ 81,386,887	$ 74,155,417

See accompanying notes to financial statements.



CREDIT UNION DEPOSIT INSURANCE CORPORATION OF BRITISH COLUMBIA

STATEMENT OF CASH FLOWS

	Year Ended March 31 2000	Year Ended March 31 1999
CASH PROVIDED BY (USED FOR):		
OPERATIONS		
Net earnings	$ 7,231,470	$ 13,606,676
Item not involving cash		
Increase in provision for losses	200,000	300,000
Loss (gain) on sale of securities	622,187	(3,300,697)
Changes in non-cash balances related to operations		
Accounts payable and accruals	631	(4,600)
	8,054,288	10,601,379
INVESTING ACTIVITIES		
Securities purchased	(44,179,830)	(76,611,700)
Proceeds from sale of securities	36,097,418	66,041,318
	(8,082,412)	(10,570,382)
(Decrease) increase in cash resources	(28,124)	30,997
Cash resources at beginning of year	192,077	161,080
CASH RESOURCES AT END OF YEAR	$ 163,953	$ 192,077

See accompanying notes to financial statements.

SUPPLEMENTAL INFORMATION:		
Taxes Paid	$ 712,477	$ 1,395,005

SCHEDULE OF ADMINISTRATION EXPENSES

Schedule A

	Year Ended March 31 2000	Year Ended March 31 1999
Salaries and benefits	$ 1,152,909	$ 1,161,519
Directors expenses	9,014	8,431
Travel	49,452	55,203
Professional services	14,771	9,711
Information services	62,229	72,399
Building occupancy	110,939	107,589
Furniture and equipment	37,143	55,129
Other	69,339	56,088
	$ 1,505,796	$ 1,526,069

See accompanying notes to financial statements.

CREDIT UNION DEPOSIT INSURANCE CORPORATION OF BRITISH COLUMBIA

SCHEDULE OF INVESTMENTS

Schedule B

	Yield	Duration	Par Value	Amortized Cost	Market Value
Pooled Funds (at BCIMC) *					
Money Market Fund **	5.42	0.2 year	$1,059,272	$1,059,272	$1,059,087
Government Bond Fund	6.19	5.8 years	13,701,542	13,701,542	14,116,926
Corporate Bond Fund	6.66	5.5 years	5,575,824	5,575,824	5,639,801
Short Term		Maturity			
Atlas Funding Trust	5.36	Apr 2000	1,250,000	1,244,863	1,244,863
Merit Trust	5.38	Apr 2000	1,200,000	1,195,068	1,195,068
Canadian					
Broadcast Centre Trust	7.53	May 2027	371,827	371,827	413,732
Government of Canada	5.50 - 12.50	Mar 2001-Jun 2027	22,405,000	26,874,690	26,339,584
NHA Mortgage Backed Securities	5.4 - 6.75	Mar 2001- Oct 2002	2,113,693	2,138,728	2,117,105
CMHC	5.00 - 7.00	Jun 2001-Dec 2004	6,769,000	6,763,867	6,612,901
Provincial					
Alberta	10.25	Aug 2001	400,000	402,559	422,000
British Columbia	8.00	Aug 2005	1,805,000	2,030,074	1,944,888
Manitoba	8.50	Jul 2013	438,000	565,260	519,626
New Brunswick	8.00	Mar 2003	1,024,000	1,107,807	1,072,844
Ontario	6.50 - 8.75	Apr 2003 - Mar 2029	4,032,000	4,713,992	4,508,196
Ontario Hydro	5.38 - 8.63	Feb 2002 - Nov 2005	2,000,000	2,009,595	2,027,690
Municipal					
Edmonton, Alberta	9.63 - 11.50	Mar 2008, Dec 2010	1,300,000	1,428,706	1,671,452
Metro Toronto, Ontario	5.60	Dec 2018	670,000	667,391	602,022
Winnipeg, Manitoba	10.25	Feb 1998, 2003	400,000	400,000	438,600
Corporate					
407 International Inc.	6.47	July 2029	1,190,000	1,151,540	1,120,385
Associates Capital	5.55 - 6.44	Apr 2002 - Jun 2003	900,000	899,644	889,224
Bank of Montreal	10.85	Dec 2008	355,000	472,356	452,270
BC Gas Utility	6.20	Jun 2008	800,000	782,467	778,204
Bell Canada	10.88	Oct 2004	887,000	962,867	1,028,477
Bombardier Cap Mtn	6.60	Nov 2004	500,000	499,181	501,090
Cards Trust	5.51	Jun 2003	1,180,000	1,180,000	1,146,712
Canadian Credit Card Trust	5.63	Mar 2005	800,000	800,000	766,960
GMAC	5.65 - 6.25	Mar - Aug 2001	1,255,000	1,256,401	1,252,311
Greater Toronto Airport	5.40	Dec 2002	1,000,000	998,623	978,065
IBM Credit Canada	5.81	Aug 2003	400,000	400,000	391,960
Loblaws Ltd.	7.34	Oct 2001	750,000	750,000	761,303
Master Credit Card	5.76	Aug 2002	740,000	740,000	729,381
Norwest Financial	5.50	Apr 2002	500,000	498,316	491,728
Royal Bank	7.10	Jan 2010	590,000	588,440	608,703
Toronto Dominion Bank	6.45	Oct 2001, 2006	800,000	799,087	802,560
Toyota Credit Canada	7.38	Dec 2001	775,000	788,942	786,238
Vancouver International Airport	6.55	Dec 2006	550,000	549,945	552,349
			$80,487,158	$86,368,874	$85,984,305

* BCIMC stands for British Columbia Investment Management Corporation.
** Short term fund (one year or less) consisting of Canadian debt instruments.

See accompanying notes to the financial statements

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2000

OPERATIONS

The Credit Union Deposit Insurance Corporation of British Columbia (CUDIC) is a statutory corporation established under the Financial Institutions Act (FIA) and is operated as a separate entity by the Financial Institutions Commission (FICOM). The mandate of CUDIC is to guarantee deposits and non-equity shares of depositors of British Columbia credit unions up to the limits prescribed by the FIA. To meet this mandate, CUDIC undertakes administrative and regulatory functions as set out in the FIA, makes deposit insurance payments and may provide financial assistance to credit unions. To maintain the deposit insurance fund, CUDIC is empowered to assess credit unions and to issue debentures to them.

The amount, timing and form of deposit insurance payments or financial assistance which may be required for credit unions is dependent on future events and outcomes. Three outcomes that may require assistance are rehabilitation, merger or liquidation of credit unions. In the event of a liquidation, CUDIC's liability for deposit insurance is restricted to limits prescribed under the FIA. Although CUDIC normally provides both specific and general provisions for deposit insurance payments and financial assistance, currently no specific provisions are considered to be required.

Under the FIA, Stabilization Central Credit Union of British Columbia (SCCU) has been designated a stabilization authority. SCCU is a central credit union owned and controlled by the British Columbia credit union system. CUDIC may delegate specific responsibilities with respect to supervision of credit unions to SCCU. SCCU also maintains a fund to enable it to assist credit unions. Under the terms of an agreement, SCCU is obligated to provide financial assistance to credit unions it supervises should the need arise. CUDIC also has the ability to draw upon the financial resources of SCCU up to $54.0 million should the CUDIC fund, as represented by accumulated earnings and the general provision, decline below 30 basis points of credit unions' deposits and non-equity shares. SCCU's equity at December 31, 1999 was $90,040,587 (1998 - $82,403,436). Based on a new agreement between CUDIC and SCCU, effective June 2000 the amount of line of credit will be reduced to $30.0 million, which together with CUDIC's resources gives CUDIC access to a total fund of 57.5 basis points of total deposits and non-equity shares in credit unions.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Investments

The CUDIC investment portfolio is managed by two investment managers according to a prudent policy approved by the Board of Directors. Premiums and discounts arising at the time of purchase of investments are amortized over the period to maturity. Revenue from investments includes interest income as well as net realized capital gains or losses.

(b) Provision for Losses

CUDIC's policy for providing for losses reflects CUDIC's best estimate of losses in respect of deposit insurance and financial assistance to credit unions. CUDIC establishes two types of provisions for losses: specific and general. Specific provisions are established for losses on financial assistance provided to a credit union and an estimate of losses in respect of deposit insurance claims for a credit union in financial difficulty. The general provision reflects CUDIC's best estimate of potential losses on insured deposits where such losses cannot be reasonably estimated on an individual credit union basis. This provision is established by assessing the aggregate risk in the credit union system based on current market and economic conditions.

(c) Related Party Transactions

As indicated, CUDIC is operated as a separate entity by FICOM, a commission of the British Columbia government. Administrative expenses relating to CUDIC's mandate are charged to CUDIC. The allocation of direct salaries to CUDIC is calculated based on the activities performed by FICOM staff on tasks pertinent to the mandate of CUDIC. Other expenses, including occupancy costs, are allocated to CUDIC according to CUDIC's proportionate share of activities.

(d) Liquidity

CUDIC maintains a line of credit at the Provincial Treasury of British Columbia equivalent to the CUDIC portfolio managed by BC Investment Management Corporation (BCIMC) up to $50 million. At March 31, 2000, the value of the portfolio managed by BCIMC was $44.1 million. This line of credit may be drawn upon to meet short-term liquidity requirements. Any drawings against this line of credit would be secured by CUDIC's investments.

(d) Financial Instruments

The market values of the investments, as shown on the Schedule of Investments, approximate their fair values. The fair values of all other financial instruments, which include cash, accounts payable and accruals, approximate their carrying values.

2. PROVISION FOR LOSSES

	Year Ended March 31, 2000	Year Ended March 31, 1999
Provision for losses, beginning of year	$ 5,800,000	$ 5,500,000
Adjustment to Provision	200,000	300,000
Provision for losses, end of year	$ 6,000,000	$ 5,800,000

There is no specific provision. The $6,000,000 reflects a general provision which is currently maintained at 3 basis points of the total of all British Columbia credit unions' deposits.

3. INVESTMENTS

The CUDIC investment portfolio is managed by two investment managers. The maturity or duration of investments at amortized book value is as follows:

Maturity of Segregated Investments:

				Total	
	1 Year or Less	1-5 Years	Over 5 Years	2000	1999
Canadian	$ 4,686,676	$15,960,417	$ 17,941,950	$38,589,043	$38,309,256
Provincial	0	3,996,052	6,833,235	10,829,287	9,387,978
Municipal	0	400,000	2,096,097	2,496,097	2,511,567
Corporate	500,569	9,273,406	4,343,834	14,117,809	12,668,691
	$5,187,245	$29,629,875	31,215,116	66,032,236	62,877,492

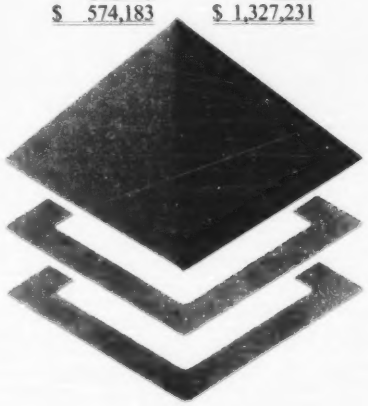
Duration of Pooled Funds:

	Duration		
Money Market Funds	less than 1 year	1,059,272	153,078
Government Bond Fund	6.2 years	13,701,542	11,749,841
Corporate Bond Fund	6.7 years	5,575,824	4,252,583
		20,336,638	16,155,502
Total Investments		**$86,368,874**	**$79,032,994**

4. INCOME TAXES

As a deposit insurance corporation, CUDIC's taxable income is defined generally to exclude assessments from and financial assistance (or recovery thereof) to credit unions.

	Year Ended March 31, 2000	Year Ended March 31, 1999
Estimated tax expense on pre-tax income at statutory tax rates of 18.6%	$ 1,451,851	$ 3,207,804
Add (deduct) tax effect of:		
Non-taxable assessment to credit unions	(908,553)	(1,947,178)
Non-deductible provision for losses	37,200	64,977
Other	(6,315)	1,628
Income tax expense for the year	$ 574,183	$ 1,327,231



FINANCIAL INSTITUTIONS COMMISSION

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